REPORT ON EXAMINATION

OF THE

YOUNG MEN'S CHRISTIAN ASSOCIATION RETIREMENT FUND, INC.

AS OF JUNE 30, 2019

EXAMINER: **RORY CUMMINGS**

DATE OF REPORT: **MAY 28, 2021**

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December 19, 2025

Honorable Kaitlin Asrow
Acting Superintendent of Financial Services
New York, New York 10004

Dear Kaitlin Asrow:

In accordance with instructions contained in Appointment No. 32141 dated September 24, 2020, and annexed hereto, an examination has been made into the condition and affairs of the Young Men's Christian Association Retirement Fund, Inc., hereinafter referred to as "the Fund." The Fund's current home office is located at 1177 Avenue of the Americas, New York, NY 10036. The examination was conducted remotely because of the COVID-19 Pandemic.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

During the examination of the Fund, the examiners identified several areas for consideration by the Fund, which are summarized below.

- The Fund should consider no longer using retirement plan assets and investment income from such assets to fund reserves for current annuitants. (See item 7E of this report.)
- The Fund should consider establishing separate funds and accounting procedures to segregate assets, investment income, and expenses for each retirement plan and Fund assets (assets held for providing annuity and death and disability benefit payments). (See item 7E of this report.)
- The Fund should consider establishing separate reserves for current annuities/annuitants with benefit payments guaranteed by the Fund and any other promised benefits for current annuitants. (See item 7E of this report.)
- The Fund should consider determining reserves using reasonable actuarial assumptions and methods such as those applicable to reserves for annuity contracts issued by life insurers. (See item 7F of this report.)
- The Fund should consider establishing a written policy for funding any reserve deficits. (See item 7E of this report.)
- The Fund should consider using reasonable actuarial assumptions for pricing annuities from every portion of the member's account balance. (See item 7G of this report.)
- The Fund should consider no longer granting interest credits at the Board's discretion for each of the retirement plans. (See item 7E of this report.)
- The Fund should consider revising the financial reporting for each of its retirement plans to disclose retirement plan asset holdings by type at year-end and plan investment income and appreciation/depreciation for the year to ensure compliance with GAAP under ASC 962. (See item 7H of this report.)
- The Fund should consider calculating benefits using actuarially equivalent factors as defined in the plan documents for each of the retirement plans. (See item 6A of this report.)

- The Fund should consider defining the actuarial assumptions and methodology for converting a retired death benefit into an additional annuity. The Fund should also consider disclosing to members the financial implications of converting a retired death benefit. (See item 6B of this report.)
- The Fund should consider establishing written procedures and reviewing previously determined benefits to ensure annuity benefits to non-spouse beneficiaries are limited in accordance with Treasury Regulation §1.401(a)(9)-6. (See item 6C of this report.)
- To address the foregoing (and other) recommendations raised in this report, the Fund should consider retaining appropriate tax counsel and engaging with the IRS regarding its view on the relevant issues. (See item 7E of this report.)

2. SCOPE OF EXAMINATION

This report outlines the Department's supervisory expectations or priorities and articulates general views regarding appropriate practices for a given subject area. Practices deemed appropriate are those consistent with statute or any practice or method of dealing that is so regularly observed among funds of comparable size and complexity that the Department may justifiably expect that it will be observed in the fund being examined.

The Superintendent has the authority under New York Insurance Law § 309(a) to "make an examination into the affairs" of the Fund. The examination provides an independent review of the Fund to better enable the Fund's Board to determine appropriate action as may be needed in the interest of the Fund and to assist the Board in meeting its obligations in overseeing the affairs of the Fund. The examination was conducted in accordance with New York Insurance Law Section 310. In accordance with the direction in New York Insurance Law Section 309(a), the objective of this examination was to review and report on the Fund's governance, including, but not limited to, fiduciary, financial, actuarial, investment, risk management, information technology, and member treatment.

The examination covers the period from July 1, 2014, through June 30, 2019. As necessary, the examiners reviewed transactions occurring subsequent to June 30, 2019, but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of June 30, 2019, to determine whether the Fund's 2019 filed annual statement fairly presents its financial condition.

The examiners reviewed the Fund's income and disbursements necessary to accomplish such verification and examination procedures as deemed appropriate in such review and in the review or audit of the following matters:

Fund history
Management
Governance
Growth of Fund
Accounts and records
Financial statements
Participant benefits
Actuarial review

The examiner reviewed the prior report on examination, which did not contain any findings or comments.

This report on examination is limited to financial statements, actuarial reports, and comments on those matters that involve laws, regulations or rules, or that require explanation or description.

3. DESCRIPTION OF THE FUND

A. History

The Fund was incorporated on May 2, 1921, by a special act of the legislature as a not-for-profit corporation organized under the laws of the State of New York with a status of a religious, educational, or benevolent corporation and is sponsored by the National Councils of the Young Men's Christian Association of the United States of America and Canada. The board of trustees of the Fund established the Retirement Plan on July 1, 1922, and the Savings and Security Plan on July 1, 1937. The Fund is subject to the New York Insurance Law requirements pertaining to examination by the Department and is required to provide annual reports to the Superintendent of the Department.

The Fund also is subject to New York's Not-for-Profit Corporation Law. The trustees, directors, officers, and key persons of the Fund must discharge the duties of their respective positions in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

Under Not-for-Profit Corporation Law § 112(a), the Attorney General has the power to "maintain an action or special proceeding" against any nonprofit that fails to comply with its responsibilities to their members and New York residents at large, or who has "acted beyond its capacity or power" or is found to be carrying on "unauthorized activities."

The Fund's original purpose was to benefit those who had been employed officers of any Young Men's Christian Association ("YMCA") upon their retirement. On March 22, 1934, Chapter 74 of the Laws of New York was amended whereby the Fund would benefit anyone who had been an employed officer or an employee of a YMCA. The Fund has been operating on a contributory basis, wherein both the individual and the participating YMCA contribute toward the Retirement Plan.

Prior to July 1, 1989, the Fund operated two plans: The Savings and Security Plan for service and clerical personnel, and the Retirement Plan for administrative and program personnel. On July 1, 1989, the two plans were combined, and the survivor was the Retirement Plan. The Fund also sponsors a tax-deferred savings plan in which individuals may make additional voluntary contributions on a pre-tax basis.

In 2004, U.S. Public Law 108-476 (see item 8 of this report) specifically designated the plans of the Fund as church plans. The Fund's Retirement Plan, the Money Purchase Pension Plan ("MPP"), is a defined contribution money purchase church pension plan and the Tax-Deferred Savings Plan ("TDSP") is a defined contribution church retirement income account plan. The Plans' status as church plans were confirmed by an act of Congress signed by the President on December 21, 2004. It is the Fund's position that "the express congressional intent of Public Law 108-476 was to 'ensure that [the Fund's] status remains a church plan and that the plan may continue to operate as has been for over 80 years with clear congressional intent.' (Congressional Record – House, H10045, Nov. 19, 2004)."

B. Management

The management of the Fund is vested in a board of trustees consisting of 16 persons eligible for active or voting membership in the YMCA. Not more than five of the trustees may be officers employed by a YMCA. Beneficiaries of the Fund who are receiving retirement allowances or other benefits are ineligible to serve on the Board.

An annual meeting of Participants is held for the election of trustees and for voting in matters announced in the notice of the meeting or presented by the Governance Committee. At each annual meeting of Participants, one-fourth of the trustees are elected by ballot for a period of four years, and such other trustees, as may be necessary to fill vacancies, may also be elected. The board of trustees is empowered to fill vacancies created by resignation, death, removal by the board of trustees for cause, or inability to serve of any member of the board of trustees until the next annual meeting of Participants. Each participating YMCA, through its authorized representative, is entitled to one vote for each participant of record on the first day of the month in which the annual meeting is held.

The board of trustees has the power necessary to accumulate, manage and dispose of funds entrusted to it by the laws under which the Fund has been incorporated. It also determines the time and place of the annual meetings of Participants and provides at least 30 days' notice thereof to all Participants.

The members of the board of trustees serve without compensation but may be reimbursed for necessary expenses incurred in the service of the Board. The regular meetings of the board of

trustees are held quarterly or as may be called by the Chair of the Board. A majority of the entire board, present in person, shall constitute a quorum.

The 16 board members and their principal business affiliation, as of June 30, 2019, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Mark Baumgartner New York, NY	Chief Investment Officer Institute of Advanced Study	2015
Barbara A. Bettin Lincoln, NE	President and Chief Executive Officer YMCA of Lincoln, Nebraska	2015
Angela Brock-Kyle Larchmont, NY	Founder and Chief Executive Officer B.O.A.R.D.S	2016
Denise L. Day West Chester, PA	President and Chief Executive Officer YMCA of Greater Brandywine, Pennsylvania	2012
William A. Holby Atlanta, GA	Partner King & Spalding LLP	2004
Stephen A. Ives Oklahoma City, OK	President Cheyenne Petroleum Company	2015
Jurij Z. Kushner Rochester, NY	Retired Vice President and Corporate Controller Bausch & Lomb	2013
D. Scott Luttrell Dallas, TX	Chief Executive Officer and Chief Investment Officer LCM Group, Inc.	2013
Robert T. Lutts Salem, MA	President and Chief Investment Officer Cabot Wealth Management, Inc.	2012
Eric K. Mann Jacksonville, FL	President and Chief Executive Officer YMCA of Florida's First Coast	2007
Christine C. Marcks New Castle, NH	Retired Chief Executive Officer and President Prudential Retirement	2018

Name and Residence	Principal Business Affiliation	Year First Elected
David M. Martin Pittsburg, PA	President Foster Holdings, Inc.	2015
Sandra J. Morander San Antonio, TX	President and Chief Executive Officer YMCA of Greater San Antonio	2017
William D. Rueckert Southport, CT	President Oyster Management Group, LLC.	2014
W. Kelvin Walker Dallas, TX	Managing Director RLJ Equity Partners	2018
Joseph R. Weist Hartford, CT	Chief Financial Officer YMCA of Greater Hartford	2016

In December 2019, William A. Holby completed his final term on the board of trustees. In December 2020, D. Scott Luttrell and Eric K. Mann completed their term on the board of trustees. In December 2020, Patricia Haverland and Derrick Stewart were elected to the board of trustees.

The examiner's review of the minutes of the meetings of the board of trustees and its committees indicated that meetings were well attended and that each trustee attended a majority of meetings.

The Fund's principal officers as of June 30, 2019 include:

Name	Title
William A. Holby	Chairman of the Board
Scott Dolfi	President and Chief Executive Officer
Vincent M. De Sio	Chief Financial Officer
Hunter S. Reisner	Chief Investment Officer
Vanessa A. Boulous	Chief Operations Officer, External
James G. Kirschner	Chief Strategy Officer
John Quinones	General Counsel

Elliott Buchholz resigned in June 2019 and was replaced by Gerard Rescigno in November 2019. Vincent De Sio retired in October 2020 and was replaced by Michael Cefole in October

2020. Vanessa A. Boulous retired in October 2020 and subsequently the position of Chief Operation Officer, External was eliminated.

C. Benefits

The operations of the Fund are divided into two major plans: MPP and TDSP.

The Money Purchase Pension Plan

The MPP is a defined contribution money purchase church pension plan under which contributions plus interest credits are accumulated in an individual's account to provide benefits to eligible employees when they retire or terminate their YMCA employment for any reason. Benefits are paid if an employee becomes permanently and totally disabled, or if an employee dies while employed by a YMCA, and to former employees with a vested benefit.

The Tax-Deferred Savings Plan

The TDSP is a defined contribution church retirement income account plan under which voluntary and rollover contributions plus interest credits are accumulated in an individual's accounts. Any employee of a participating YMCA can participate in the TDSP regardless of age or length of service, allowing the employee to build savings on a pre-tax basis through payroll deduction and/or rollover contributions.

4. GROWTH OF THE FUND

Indicated below is significant information concerning the growth of the Fund during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Fund's financial growth during the period under review with amounts listed in thousands:

	June 30, 2014	June 30, 2019	Increase (Decrease)
Assets	$6,530,614	$7,251,001	$ 720,387
Accumulated account balance and reserves	$5,827,725	$7,559,712	$1,731,987
Liabilities	446,556	123,317	(323,239)
Fund (deficit)/surplus	256,333	(432,028)	(688,361)
Total liabilities and fund (deficit)/surplus	$6,530,614	$7,251,001	$ 720,387

As of June 30, 2019**,** the Fund's invested assets were comprised of alternative investments (60%), trusts (23%), stocks (9%), cash and short-term investments (6%), and bonds and securities lending (2%).

The following table indicates the changes in the Fund's membership during the period under examination:

	Fiscal Year Ended June 30,				
	2015	2016	2017	2018	2019
Active participants	54,392	54,554	54,886	56,168	56,764
Inactive participants	32,421	34,562	37,039	38,559	34,363
Retired participants and beneficiaries	12,813	13,386	13,845	14,341	14,793
Total	99,626	102,502	105,770	109,068	105,920

5. FINANCIAL STATEMENTS

The following statements show the Fund's balance sheet as of June 30, 2019 as contained in the Fund's 2019 filed annual statement, and the statement of changes in Fund surplus (deficit) for the years ended June 30, 2015 through June 30, 2019.

A. STATEMENT OF ASSETS AND LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2019
(amounts listed are in thousands)

ASSETS:	
Investment and cash at fair value:	
Cash and cash equivalents	$ 422,603
Assets held under securities lending agreement	102,658
Domestic equities	295,748
Foreign equities	384,299
Government and agency bonds	53,615
Corporate bonds	342
Common/collective trusts:	
Domestic equities	530,074
Foreign equities	511,613
Fixed maturities	593,338
Alternatives investments:	
Hedge funds	2,219,422
Private equity	1,230,737
Real estate	249,635
Private energy	381,353
Distressed debt	212,931
Master limited partnerships	14,745
Other investment assets	3,417
Total investments and cash	$7,206,530
Amounts due from brokers	$ 23,538
Investment income receivable	3,210
Variation margin receivable	1,254
Other assets	16,469
Total assets	$7,251,001

LIABILITIES AND FUND DEFICIT:	
Investment liabilities:	
Payable under securities lending agreement	$ 102,658
Total investment liabilities	$ 102,658
Accumulated account balances and reserves:	
Accumulated account balances of the Retirement Plan	$3,579,081
Accumulated account balances of the tax-deferred savings plan	875,236
Liabilities for future annuity benefits	2,876,037
Death and disability benefit reserves	229,358
Total accumulated account balances and reserves	$7,559,712
Amounts due to brokers	943
Variation margin payable	4,671
Other liabilities	$ 15,045
Total liabilities	$7,683,029
Fund deficit	$ (432,028)
Total liabilities and fund deficit	$7,251,001

B. STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FISCAL YEARS ENDED JUNE 30
(amounts listed are in thousands)

	2015	2016	2017	2018	2019
REVENUES:					
Consideration received to purchase life annuities	$ 173,043	$ 171,378	$ 184,029	$ 178,481	$ 190,535
Net investment income:					
Interest and dividends	55,892	39,671	29,577	26,462	32,588
Investment expenses	(23,289)	(22,193)	(23,289)	(24,849)	(23,681)
Net investment income	$ 32,603	$ 17,478	$ 6,288	$ 1,613	$ 8,907
Net realized gain on investment	$ 414,986	$ 72,864	$ 302,977	$ 224,447	$ 239,813
Net unrealized gain/(loss) on investments	(223,010)	(316,285)	457,962	374,604	114,459
Total revenues	$ 397,622	$ (54,565)	$ 951,256	$ 779,145	$ 553,714
BENEFITS AND EXPENSES:					
Interest credited to accumulated account balances of plan participants	$ 341,352	$ 335,825	$ 299,579	$ 371,308	$ 377,239
Participant dividends incurred	2,011	(33,814)	18,629	20,874	(39,504)
Death and disability benefits	21,985	(78,986)	3,086	18,337	1,347
Future annuity benefits incurred	380,604	192,807	202,039	512,030	256,245
Administrative expenses	20,549	21,881	22,192	22,986	24,932
Total benefits and expenses	$ 766,501	$ 437,713	$ 545,525	$ 945,535	$ 620,259
Net income (loss)	$(368,879)	$(492,278)	$ 405,731	$(166,390)	$ (66,545)
Fund (deficit):					
Fund surplus/(deficit), beginning of year	$ 256,333	$(112,546)	$(604,824)	$(199,093)	$(365,483)
Fund (deficit), end of year	$(112,546)	$(604,824)	$(199,093)	$(365,483)	$(432,028)

6. TREATMENT OF MEMBERS

The examiner reviewed a sample of various types of retirement benefits provided to members and beneficiaries, including the various controls involved, the accuracy of the calculations and the accounting data incorporated into the books of account.

Based on the review, the following significant findings were noted and the subsequent recommendations were made.

A. Actuarial Factors for Converting Account Balances into an Annuity

MPP and TDSP account balances are converted into annuities using interest rate and mortality assumptions defined in the respective plan document.1 However, the examiner was unable to reproduce the factors used at many ages based on the plan document's interest and mortality assumptions. The Fund's actuarial consultant was also unable to reproduce the annuity factors used for requested sample ages with the Fund's actuarial consultant indicating that approximations were likely made. The factors are intended to be "actuarially equivalent", that is the account balance and the resulting annuity have the same economic value. As the factors used by the Fund could not be reproduced by the examiner or the Fund's actuarial consultant, the factors used could not be confirmed to be actuarially equivalent or determined in accordance with plan provisions.

The Fund should consider calculating benefits using actuarially equivalent factors as defined in the plan documents for each of the retirement plans.

B. Conversion of Death Benefit Factors

Eligible MPP members who were age 55 or older as of January 1, 2019, may elect to receive up to 90% of the amount of the retired death benefit in the form of an increase to the annuity payable. While the MPP plan document does not appear to define the assumptions and methods for converting the retired death benefit into an additional annuity, sample calculations indicate interest rates and mortality assumptions defined in the plan document for "new balances" (post-1995) are used. However, the calculation of the additional annuity from a member's retired

[1] Appendix A of the MPP restated plan document effective November 15, 2012 and Appendix B of the TDSP restated plan document effective January 1, 2009

death benefit is not actuarially equivalent. The additional annuity has a significantly higher present value than the present value of the retired death benefit elected to be converted as illustrated in the example below.

Example: 90% Conversion of Retired Death Benefit into an Additional Single Life Annuity

A)	Age at retirement:	60
B)	Retired death benefit payable as a lump sum at death:	$65,665.24
C)	Percentage of death benefit to convert into annuity:	90%
D)	Form of payment elected:	Single Life Annuity
E)	Calculated single life annuity factor at retirement age*:	11.2098
F)	Additional monthly annuity [(B × C) ÷ (E × 12)]:	$439.34

* calculated factor used for example purposes only

However, this calculation results in the value of the additional monthly annuity exceeding the value of the retired death benefit:

G)	Present value factor for single life monthly annuity at age 60:	11.2098
H)	Present value factor for post-retirement lump sum death benefit at age 60**:	0.2367
I)	Present value of retired death benefit at retirement [B × H]:	$15,542.30
J)	Present value of additional monthly annuity at retirement [F × G × 12]:	$59,098.96
K)	Residual retired death benefit at retirement [B × (1 - C)]:	$6,566.52
L)	Present value of remaining retired death benefit at retirement [K × H]:	$1,554.30
M)	Present value increase [J + L - I]:	$45,110.96

** based on the actuarial assumptions for determining the calculated factor

In this example, the present value of the benefit increases by roughly $45,111 by converting 90% of the retired death benefit into an additional annuity. This increase is greater than the present value of the initial (100%) retired death benefit of approximately $15,542. The cause of this increase is due to the additional annuity calculation effectively valuing the retired death benefit as

if the member immediately dies at retirement (line B). To ensure equal value, the present value of the retired death benefit (line I), which reflects when the member is expected to die and discounts for interest from the member's expected death to retirement, would have been used. However, it is the Fund's position that the retired death benefit was designed "to provide additional value to members who convert this benefit" into an additional annuity. The examiner noted that the methodology used for converting the retired death benefit did not appear to be defined in plan provisions.

The Fund should consider defining the actuarial assumptions and methodology for converting a retired death benefit into an additional annuity. The Fund should also consider disclosing to members the financial implications of converting a retired death benefit.

C. Annuity Benefits Payable to Non-spouse Beneficiaries

Treasury Regulation §1.401(a)(9)-6 limits the joint and survivor annuity payable to non-spouse beneficiaries. Based on the ages of the member and the non-spouse beneficiary at retirement, the maximum percentage of the member's monthly benefit payable to the beneficiary following the member's death may be less than 100% (but not less than 52% if a higher joint and survivor percentage was elected) of the amount the member was receiving under this regulation. For example, a member retiring at age 60 with a non-spouse beneficiary age 30 at retirement, the maximum percentage would be 73%. While this generally impacts only those non-spouse beneficiaries that are significantly younger such as children or grandchildren, a sampling of retirees reviewed by the examiner indicated that the maximum limit was exceeded for at least six retirees.

The Fund should consider establishing written procedures and reviewing previously determined benefits to ensure annuity benefits to non-spouse beneficiaries are limited in accordance with Treasury Regulation §1.401(a)(9)-6.

The Fund stated that "the errors identified by the Department (and other similar errors identified by the Fund in accordance with its established procedures) have been corrected in accordance with applicable correction guidance." In addition, the Fund noted that "following the passage of the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 (Public Law 116-94), the plans were amended to prohibit the naming of a non-spouse beneficiary who is more than 10 years younger than the participant as a survivor when selecting a joint and

survivor annuity distribution option after 2019," and the Fund asserts that "the limitations under Treasury Regulation §1.401(a)(9)-6 applicable to certain non-spousal beneficiaries are no longer applicable to new annuitants of the Fund."

7. ACTUARIAL REVIEW

A. Overview

The Fund sponsors and administers two defined contribution retirement plans for eligible employees of participating YMCAs. The primary retirement plan is the MPP in which employer contributions are required. The other retirement plan is the TDSP in which participants may make additional voluntary contributions on a pre-tax basis. The Fund also provides disability, pre-retirement death, and post-retirement death benefits for eligible members as well as an annuity of the participant's MPP and TDSP benefit at retirement.

The MPP and TDSP are account balance plans. This means the benefit is based on contributions and interest credited to the participant's account in each plan. The Fund credits contributions semi-monthly and interest credits daily.

Contributions to the MPP are based on each participating YMCA's agreement with the Fund and generally range from 8% to 12% of the compensation. Depending on this agreement, the required MPP contribution may be fully paid by the employer or paid by the employer and participant. Contributions to the TDSP are paid by the participant and are voluntary. However, contributions to the TDSP are subject to the federal limit each year.

Interest credit rates are generally set by the Fund's Board twice a year. While the interest credit rate may be based on portfolio performance, the Fund's Board, in its sole discretion, sets the interest credit rate. Portfolio performance is determined on the combined investment performance of MPP, TDSP, and Fund assets. The Fund's objective for commingling assets for investment purposes (as permitted by Public Law 108-476) is to generate more favorable investment returns. To further ensure the long-term growth of assets, the Fund's Board oversees and approves the investment of all assets, including participant accounts in the MPP and TDSP. Participants do not direct how their MPP and TDSP accounts are invested.

The Fund also provides annuities at retirement. Participants with MPP or TDSP account balances exceeding $5,000 are permitted to elect an annuity and are generally required to elect an annuity of their MPP account if the balance exceeds $100,000. Several annuity options are provided including single life and joint and survivor annuities. The annuity payable under each option is determined by converting the account balance into the desired option using actuarial

assumptions set by the Fund's Board. Once an annuity is elected, the account balance is transferred from the retirement plan to the Fund. The Fund then provides all annuity payments.

Annuities and retirement plan benefits provided by the Fund are not insured. U.S. Public Law 108-476 designated the Fund's retirement plans as church plans in 2004. This permitted the Fund to provide annuities instead of purchasing annuities from an insurance company. In addition, the retirement plans were determined to be defined contribution plans. Defined contribution plans are not covered by the Pension Benefit Guaranty Corporation, a federal government agency that insures retirement benefits from defined benefit pension plans. Applicable U.S. Public Law 108-476 is provided in item 8 of this report. It is the Fund's position that "[t]he express congressional intent of Public Law 108-476 was to 'ensure that [the Fund's] status remains a church plan and that the plan may continue to operate as has been for over 80 years with clear congressional intent.'"

The Fund works with management and its actuarial consultant to monitor the funding status of the Fund and the likelihood assets will be sufficient to provide promised benefits when due. Effective July 1, 2021, the Fund changed the retirement plans to improve the long-term sustainability of the Fund. The changes are expected to result in lower annuity payments for MPP and TDSP contributions and interest credits earned after June 30, 2021.

B. Assets

U.S. Public Law 108-476[2] permits the Fund to commingle Fund assets with MPP and TDSP assets for investment purposes. This allows the Fund to have a broader diversification of its investments and lower costs through economies of scale. Over the ten-year period ending June 30, 2019, the MPP, TDSP, and Fund ("Other Assets") asset levels changed as follows:

[2] Section 1(a)(3)(A)(ii)(I)

YMCA Retirement Fund Assets (Dollar amounts in $1,000s)				
Year Ended 6/30	Money Purchase Pension (MPP)	Tax-Deferred Savings Plan (TDSP)	Other Assets*	Total Net Assets**
2009	2,953,830	409,178	310,586	3,673,594
2010	2,972,061	433,781	709,757	4,115,599
2011	3,016,653	463,771	1,439,261	4,919,685
2012	3,058,969	499,414	1,315,412	4,873,795
2013	3,096,742	533,170	1,705,708	5,335,620
2014	3,191,721	572,893	2,319,444	6,084,058
2015	3,309,587	629,359	2,281,793	6,220,739
2016	3,404,715	693,214	1,785,940	5,883,869
2017	3,479,880	743,895	2,329,534	6,553,309
2018	3,617,818	808,642	2,625,468	7,051,928
2019	3,579,081	875,236	2,673,367	7,127,684
Change in Assets over Period	625,251	466,058	2,362,781	3,454,090

* For annuity and death and disability benefits not payable from MPP or TDSP assets
** Total assets reduced for investment related and other short-term liabilities. Total assets reported as of June 30, 2019 were $7,251,001 (in $1,000s).

Over the period, total net assets increased by over $3.45 billion with roughly $1.09 billion for the MPP and TDSP and $2.36 billion for Other Assets. MPP and TDSP assets are the accumulated account balances of its members while Other Assets are assets held by the Fund to provide annuity payments from MPP and TDSP account balances for current and future retirees as well as death and disability benefit payments provided by the Fund.

The significant increase in Other Assets is primarily attributed to the allocation of investment income from the commingled investments as summarized below:

Allocation of Estimated Investment Return (Dollar amounts in $1,000s)				
Year Ended 6/30	MPP	TDSP	Other Assets	Total Estimated Investment Return
2010	84,389	9,872	417,186	511,447
2011	101,255	13,586	761,943	876,784
2012	102,123	14,556	(87,250)	29,429
2013	103,487	15,570	431,174	550,231
2014	130,892	21,880	685,100	837,872
2015	162,070	29,483	33,026	224,579
2016	152,825	29,274	(408,042)	(225,943)
2017	112,319	21,439	633,469	767,227
2018	161,017	34,420	405,227	600,664
2019	165,271	37,468	160,440	363,179
Total over Period	1,275,648	227,548	3,032,273	4,535,469

Over the period ended June 30, 2019, roughly two-thirds ($3.03 billion) of the estimated investment income was allocated to Other Assets despite assets being commingled and Other Assets representing less than 10% of total assets as of June 30, 2009 and less than 40% of total assets as of June 30, 2019.

The disproportionate share of investment income to Other Assets is due to the Fund's (Board) discretion for setting interest credits to the MPP and TDSP each year. Over the same ten-year period, an effective interest credit rate of roughly 4% per year was provided to the MPP and TDSP while Other Assets experienced a rate of approximately 28% per year as summarized in the table below. The estimated effective annual rate of return on total assets over the entire period was roughly 9%.

Net Investment Return as Percentage of Beginning of Year Assets				
Year Ended 6/30	MPP	TDSP	Other Assets	Total Assets*
2010	3%	2%	134%	14%
2011	3%	3%	107%	21%
2012	3%	3%	-6%	1%
2013	3%	3%	33%	11%
2014	4%	4%	40%	16%
2015	5%	5%	1%	4%
2016	5%	5%	-18%	-4%
2017	3%	3%	35%	13%
2018	5%	5%	17%	9%
2019	5%	5%	6%	5%
Effective Rate over Period	4%	4%	28%	9%

* Total Assets reduced by liabilities (excluding total accumulated account balances and reserves)

Fund management acknowledged investment returns from MPP and TDSP assets are not entirely passed through to participants as interest credits by the Board. Returns above the interest credits to the MPP and TDSP are retained by the Fund as Other Assets for the payment of annuities and death and disability benefits which are an obligation of the Fund, not the MPP or TDSP.

The Fund stated that "in actual practice . . . the MPP and TDSP account balances do not have separate asset pools; the only portfolio consists of the Fund's assets held in its commingled reserves; there are no identifiable invested assets relating to the MPP and TDSP account balances and investment returns are not tracked separately for the MPP and TDSP account balances (which receive only Board declared interest credits)."

C. Reserves

The Fund provides annuities and death and disability benefits directly to participants instead of purchasing such annuities and benefits from an insurance company. As a result, the Fund is responsible for providing these benefits over the long term. To ensure the Fund will ultimately be able to provide all promised benefits, the Fund works with an actuarial consultant to

monitor if current assets and future contributions will be sufficient to provide all of the Fund's future benefit obligations.

Each year the actuarial consultant determines the Fund's reserves in the actuarial valuation report. The Fund has defined its reserves as the present value of all future benefits (death and disability benefits, lump sums or refunds of participant MPP or TDSP account balances, or annuity payments) minus the present value of future contributions (i.e., future employer and participant contributions). Valuation reports disclosed the following reserves over the last ten years:

Reserve (Dollar amounts in $1,000s)							
As of 6/30	Present Value of annuities in receipt	MPP Account Balances	TDSP Account Balances	Other Liabilities	Present Value of Future Contributions	Additional Interest Credit	Total Reserve
2010	1,642,144	2,972,061	433,781	803,098	(912,361)	0	4,938,723
2011	1,772,538	3,016,653	463,771	813,879	(943,232)	0	5,123,609
2012	1,875,386	3,058,969	499,415	777,834	(856,771)		5,354,832
2013	2,014,387	3,096,742	533,170	786,341	(875,170)	0	5,555,470
2014	2,130,927	3,191,721	572,893	802,285	(901,904)	31,803	5,827,724
2015	2,363,372	3,309,587	629,359	940,840	(943,687)	33,814	6,333,285
2016	2,491,946	3,404,715	693,214	873,267	(974,449)	0	6,488,693
2017	2,625,726	3,479,880	743,895	888,229	(1,003,957)	18,629	6,752,402
2018	2,860,183	3,617,818	808,642	1,132,019	(1,040,755)	39,504	7,417,411
2019	2,999,612	3,579,081	875,236	1,181,766	(1,075,984)	0	7,559,712

The Fund's actuarial valuation reports refer to the reserve as "required reserve." However, no laws, regulations, or actuarial standards were cited as the basis for determining the "required reserve" in the actuarial valuation reports.

It is the Fund's position that it "bears the financial risk of ensuring adequate reserves to meet its commitments to current and future annuitants to pay the benefits promised under the MPP and TDSP (including, but not limited to, risks relating to investment experience, interest rate, volatility, and participant longevity)." In addition, it is the Fund's position that its "liabilities and risk profile relating to these commitments has similarities with certain guaranteed benefit policies (or guaranteed investment contracts) issued by insurance companies in the marketplace (including those that may be funding vehicles for some defined contribution plans)." The Fund also stated that it uses actuarial assumptions "developed in consultation with its outside actuaries and consultants based on the Actuarial Standards of Practice, in light of the nature of its liabilities and benefit obligations as a retirement plan."

Actuarial assumptions and methods are discussed in item 7F.

D. Funded Status

A commonly used measure to evaluate if assets will likely be sufficient to provide promised benefits is the funding ratio or funded status. The Fund's actuarial consultant determined the funded status as the ratio of total assets to the total reserves as of the valuation date. If total assets exceed reserves (i.e., at least 100% funded) then assets are expected to be sufficient to pay future benefits. If total assets are less than reserves, then assets are not expected to be sufficient to pay future benefits. Rarely is the funded status exactly 100%. Experience, the difference between what was assumed and what occurred each year, will cause the funded status to deviate from 100%. A funded status consistently less than 100% each year or a funded status significantly lower than 100% are indicators that assets will not be sufficient, and action may be needed by the Fund to ensure its benefit obligations will be met. Actuarial valuation reports over the 10-year period ended June 30, 2019, disclosed the following funded status:

Valuation Report Actuarial Surplus / (Deficit) (Dollar amounts in $1,000s)				
Year Ended 6/30	Total Reserve	Valuation Assets	Actuarial Surplus/(Deficit)	Funded Status
2010	4,938,723	4,115,598	(823,125)	83%
2011	5,123,609	4,919,685	(203,923)	96%
2012	5,354,832	4,873,795	(481,037)	91%
2013	5,555,470	5,335,620	(219,850)	96%
2014	5,827,724	6,084,057	256,333	104%
2015	6,333,285	6,220,739	(112,546)	98%
2016	6,488,693	5,883,869	(604,824)	91%
2017	6,752,402	6,553,309	(199,093)	97%
2018	7,417,411	7,051,927	(365,483)	95%
2019	7,559,712	7,127,684	(432,028)	94%

Only one time during the period was the Fund determined to be at least 100% funded based on the actuarial assumptions and methods utilized by the Fund's actuarial consultant.

E. Exclusive Benefit Requirement

While the Fund's retirement plans are generally exempt from many Internal Revenue Code ("IRC") requirements or have IRC requirements apply differently due to its church plan status, IRC still requires MPP and TDSP assets to be used for the exclusive benefit of the members or their beneficiaries.

This requirement for the MPP is defined under IRC §401(a)(2) and is further summarized in Section 14.12 of the MPP plan document (restated effective November 15, 2012) which states "no part of the assets of the Retirement Plan trust attributable to the Retirement Plan may be used for other than the exclusive benefit of the Participants or their Beneficiaries."

Similar wording of the exclusive benefit requirement is provided in Section 12.11 of the TDSP plan document (restated effective January 1, 2009). Treasury Regulation §1.403(b)-9(a)(2)(i) below provides further guidance as to how the exclusive benefit requirement applies to the TDSP as a retirement income account plan:

> (i) In general. A retirement income account means a defined contribution program established or maintained by a church-related organization under which –
>
> (A) There is separate accounting for the retirement income account's interest in the underlying assets (namely, there must be sufficient separate accounting in order for it to be possible at all times to determine the retirement income account's interest in the underlying assets and to distinguish that interest from any interest that is not part of the retirement income account);
>
> (B) Investment performance is based on gains and losses on those assets; and
>
> (C) The assets held in the account cannot be used for, or diverted to, purposes other than for the exclusive benefit of plan participants or their beneficiaries (and for this purpose, assets are treated as diverted to the employer if there is a loan or other extension of credit from assets in the account to the employer).

In essence, MPP and TDSP assets, including investment earnings on such assets, are required to be used to provide benefits to their respective members.

However, individuals are only members of the MPP or TDSP while they have an account balance in the retirement plan. MPP and TDSP members electing an annuity at retirement have

their account balance transferred from the MPP and TDSP to the Fund's Other Assets. Annuities are then paid from Other Assets. Individuals receiving an annuity from the Fund are no longer MPP or TDSP members and the obligation to provide annuity payments lies with the Fund rather than the MPP or TDSP. A closer review of Fund practices and the actuarial valuation reports indicate that MPP and TDSP appear to be effectively being used to fund current retiree annuities. Using Other Assets listed under item 7B and the reserves for current annuities (present value of annuities in receipt) listed under item 7C, the funded status for providing current annuities only is estimated as follows:

Funded Status for Current Annuitants Only (Fund Obligation) (Dollar amounts in $1,000s)				
Year Ended 6/30	Present Value of Annuities in Receipt	Other Assets	Actuarial Surplus/(Deficit)	Funded Status
2010	1,642,144	709,757	(932,388)	43%
2011	1,772,538	1,439,261	(333,277)	81%
2012	1,875,386	1,315,412	(559,974)	70%
2013	2,014,387	1,705,708	(308,679)	85%
2014	2,130,927	2,319,444	188,517	109%
2015	2,363,372	2,281,793	(81,579)	97%
2016	2,491,946	1,785,940	(706,006)	72%
2017	2,625,726	2,329,534	(296,192)	89%
2018	2,860,183	2,625,468	(234,715)	92%
2019	2,999,612	2,673,367	(326,245)	89%

The dramatic increase in funded status for current annuitants from 2010 to 2011 appears to be due to the Fund using MPP and TDSP assets to fund this obligation. As previously noted in item 7B, the Board in its discretion determines how investment income is allocated and that over the 10-year period ended June 30, 2019, a majority of the investment income was allocated to the Fund's Other Assets.

The apparent use of retirement plan assets to fund the Fund's obligation for current annuitants appears to deviate from plan and IRC requirements. Consequently, to encourage compliance prospectively with exclusive benefit requirements under IRC §401(a)(2) and Treasury Regulation §1.403(b)-(9)(a)(2)(i), the following recommendations are made.

The Fund should consider no longer using retirement plan assets and investment income from such assets to fund reserves for current annuitants.

The Fund should consider no longer granting interest credits at the Board's discretion for each of the retirement plans.

The Fund should consider establishing separate funds and accounting procedures to segregate assets, investment income, and expenses for each retirement plan and Fund assets (assets held for providing annuity and death and disability benefit payments).

The Fund should consider establishing separate reserves for current annuities/annuitants with benefit payments guaranteed by the Fund and any other promised benefits for current annuitants.

The Fund should consider establishing a written policy for funding any reserve deficits.

To address the foregoing (and other) recommendations raised in this report, the Fund should consider retaining appropriate tax counsel and engaging with the IRS regarding its view on the relevant issues.

The Fund stated that: "it operates pursuant to legislation specifically applicable to the Fund" and that its "liabilities and risk profile relating to these commitments has similarities with certain guaranteed benefit policies (or guaranteed investment contracts) issued by insurance companies in the marketplace (including those that may be funding vehicles for some defined contribution plans)." Consequently, it is the Fund's position that "it complies with the exclusive benefit requirements in accordance with its unique structure as permitted by its legislation."

F. Actuarial Assumptions for Reserves

The calculation of the reserves each year is highly dependent on the actuarial assumptions used. The Fund's actuarial consultant stated the reserve assumptions were chosen by the Fund and were considered reasonable by the actuarial consultant. Actuarial Standards of Practice ("ASOP"), specifically ASOP No. 27 and ASOP No. 35, were referred to for developing the rationale for the actuarial assumptions used. In addition, the June 30, 2019 actuarial valuation report included ASOP No. 51 disclosures regarding variations in the valuation report results should future experience deviate from the assumptions used. The ASOPs noted (27, 35, and 51) apply to defined benefit pension plans.

However, the Fund is not sponsoring or administering defined benefit pension plans. The Fund is essentially functioning as an insurer providing annuity contracts. As the effective insurer, no additional contributions are paid by participating YMCAs to the Fund should assets not be

sufficient to provide benefits. This is significantly different from defined benefit pension plans which are often funded by additional employer contributions if assets are not expected to provide benefits. Consequently, the examiner believes reserves should be determined using reasonable actuarial assumptions and methods such as those applicable to reserves for annuity contracts issued by life insurers. For example, New York Insurance Law is a resource which illustrates reserve requirements applicable to licensed insurers providing similar annuity contracts. The use of reasonable assumptions such as those applicable to reserves for annuity contracts issued by life insurers would generally be more conservative than those used by the Fund and expected to result in higher reserves and a greater likelihood that the Fund will provide promised benefits.

The Fund should consider determining reserves using reasonable actuarial assumptions and methods such as those applicable to reserves for annuity contracts issued by life insurers.

The Fund stated that it "is not an insurance company and not subject to insurance regulations and risk-based capital requirements." It is the Fund's position that it "has adopted actuarial assumptions together with its actuarial consultants that are practical for its unique structure rather than those applicable to entities that operate under a different set of norms."

G. Annuity Pricing

Members electing an annuitization of their MPP or TDSP accounts at retirement have their account balance transferred from the retirement plan to the Fund. The Fund then calculates or "prices" the annuity that can be provided from the account balance received and makes the resulting annuity payments to the retired individual.

The Fund has generally converted MPP and TDSP account balances into annuities using the following assumptions:

For Pre-1996 Account Balances:	8% interest and 1951 Group Annuity Mortality Table (male, set back 3 years)
For Post-1995 Account Balances:	7% interest and 1995 Buck Mortality Table (blended 50% male and 50% female)

These pricing assumptions deviate significantly from the reserve assumptions used by the Fund. The June 30, 2019, financial statement quantifies this difference in actuarial adjustments under Note 4(a) below. Amounts listed below are in thousands.

(4) Accumulated Account Balances and Reserves

(a) Changes in Future Annuity Benefits

The following table represents changes to the liabilities for future annuity benefits:

		2019	2018
Balance, beginning of period	$	2,720,426	2,294,430
Interest credit allocations		174,500	175,871
Annuity benefits paid		(275,135)	(261,905)
Consideration received to purchase life annuities		190,535	178,481
Death benefits converted to life annuities		10,319	9,348
Actuarial adjustments:			
Annuity reserves [1]		39,210	132,662
Annuity purchase rate differential [2]		10,197	290,875
Account valuation discount [3]		5,985	(99,336)
Balance, end of period	$	2,876,037	2,720,426

(1) The Annuity Reserve is the actuarially estimated cost to provide life annuities to current retirees based upon mortality and monthly annuity amount. At June 30, 2019 and 2018, the balance in this reserve was $2,999,612 and $2,860,183, respectively.

(2) The Annuity Purchase Rate Differential is a provision for the difference between the annuity conversion interest rate and discount rate at the time of annuity conversion. This reserve is for participants who are not currently retired. At June 30, 2019 and 2018, the balance in this reserve was $1,006,354 and $996,157, respectively.

(3) The Account Valuation Discount represents the combined effect of the interest rate discount and the interest crediting rate assumptions. Since the interest crediting rate is lower than the interest rate discount, the combined effect reduces the reserve requirement needed to support benefit payments. Both of these interest rates are discussed in note 3. At June 30, 2019 and 2018, the balance in this reserve was ($1,129,929) and ($1,135,914), respectively.

Footnote (2) discloses roughly $1.0 billion as of June 30, 2019, is needed as an additional reserve to account for the difference in interest rates between the Fund's annuity pricing and reserves for future annuities purchased. This indicates the MPP and TDSP account balances received by the Fund are not expected to cover the expected annuity payments.

Annuities should be priced to be self-supporting. That means, the price of the annuity is sufficient to provide all annuity payments if actuarial assumptions are exactly met. Federal regulations detail this and additional requirements for annuities provided from church retirement income accounts plans such as the TDSP. Specifically, Treasury Regulation §1.403(b)-9(a)(5) states:

"A retirement income account may distribute benefits in a form that includes a life annuity only if –

(i) The amount of the distribution form has an actuarial present value, at the annuity starting date, equal to the participant's or beneficiary's accumulated benefit, based on reasonable actuarial assumptions, including regarding interest and mortality; and

(ii) The plan sponsor guarantees benefits in the event that a payment is due that exceeds the participant's or beneficiary's accumulated benefit."

The accumulated benefit is defined as the total benefit to which a participant or beneficiary is entitled under a section 403(b) contract, including all contributions made to the contract and all earnings thereon.[3]

The examiner views the Fund's actuarial assumptions for pricing annuities to not be reasonable. Recent action by the Fund to implement lower interest rates (3%) and longer life expectancy assumptions when pricing annuities for contributions and most interest credits after June 30, 2021, further indicates the Fund's historical annuity pricing assumptions were not reasonable or sustainable. However, these changes generally apply only to contributions and interest on account balances after June 30, 2021. The examiner considers the continued use of such pricing assumptions for certain account balances as favoring those MPP and TDSP members with large account balances as of June 30, 2021 over future new entrants and current members with smaller account balances as of June 30, 2021.

The Fund should consider using reasonable actuarial assumptions for pricing annuities from every portion of the member's account balance.

It is the Fund's position that the changes effective June 30, 2021 generally apply only to contributions and interest on account balance after June 30, 2021 since "the actuarial assumptions for pricing annuities are 'grandfathered' based on the terms of the plans."

H. Pension Plan Financial Reporting

Pension plan financial reporting is intended to provide greater insight into the plan's ability to pay benefits when due. Knowing the plan's underlying investment holdings and investment

[3] Treasury Regulation §1.403(b)-2(b)(1)

returns are key components of a pension plan's financial reporting and is particularly important for defined contribution plans such as the MPP and TDSP since the benefits payable to participants are ultimately based on the investment income from plan assets.

The Financial Accounting Standards Board ("FASB"), an independent organization which establishes financial reporting and reporting standards for companies and not-for-profit organizations that follow Generally Accepted Accounting Principles ("GAAP"), defines the reporting standards for defined contribution pension plans under Accounting Standards Codification ("ASC") 962. ASC 962-325-45-5 requires pension plans assets to be valued at fair value, and to disclose the general types of investments held, such as common stocks, corporate bonds, government securities, mutual funds, and other investments. ASC 962-205-45-7 indicates pension plans should also disclose significant changes in plan assets during the year with, at a minimum, all of the following:

a) Net appreciation or depreciation (including realized gains and losses as well as unrealized appreciation or depreciation)
b) Investment income
c) Employer contributions
d) Participant contributions
e) Other contributions
f) Benefits paid to participants
g) Payments to insurance entities (e.g., purchase of annuity contracts)
h) Administrative expenses

The Fund's June 30, 2019, financial statements provided the following information for the MPP and TDSP under Note 4(b) below (the amounts listed below are in thousands).

(b) Changes in Accumulated Account Balances for the Retirement Plan and the Tax-Deferred Savings Plan

The following table reflects the changes in the accumulated account balances of the Plans sponsored by the Fund:

	2019		2018	
	Retirement Plan[1]	Tax-Deferred Savings Plan[2]	Retirement Plan[1]	Tax-Deferred Savings Plan[2]
Balance, beginning of period	$ 3,617,818	808,642	3,479,880	743,895
Interest credit allocations	165,271	37,468	161,017	34,420
Contributions to participant accounts	197,492	97,916	189,341	89,735
Consideration given to purchase life annuities	(157,236)	(33,299)	(145,638)	(32,843)
Lump-sum distributions [3]	(237,831)	(34,276)	(62,913)	(25,029)
Account balances transferred to the death benefit reserves	(6,433)	(818)	(3,869)	(1,054)
Participant loan defaults	—	(856)	—	(843)
Net participant loan interest and fees	—	459	—	361
Balance, end of period	$ 3,579,081	875,236	3,617,818	808,642

(1) The Retirement Plan is a defined contribution, money purchase, church pension plan which is the primary vehicle used during the savings period of participants prior to retirement.

(2) The Tax-Deferred Savings Plan is a church retirement income account plan providing additional opportunities for participants to save tax deferred for retirement through elective, pre-tax contributions and rollover contributions.

(3) Includes $141,500 of lump-sum payments made during the fiscal year 2019 as a result of the portability window (see footnote 2).

The note did not disclose the amount or source of each plan's investment return. Only the interest credit, granted at the discretion of the Fund's Board, was provided. Further, no information was provided regarding each plan's investment holdings. Consequently, there appears to be little detail in the financial statements to determine whether plan assets are being used for the exclusive benefit of plan members and what future investment returns plan assets might provide. This raises the question whether the Fund's financial reporting of its pension plans follows the intent and guidance under ASC 962.

The Fund should consider revising the financial reporting for each of its retirement plans to disclose retirement plan asset holdings by type at year-end and plan investment income and appreciation/depreciation for the year to ensure compliance with GAAP under ASC 962.

It is the Fund's position that "all invested assets are held in a single portfolio in its commingled reserves" and that "investment returns are not separately tracked for the MPP or TDSP. As a result, only the interest credit, granted at the discretion of the Fund's Board, was provided in the financial statements, which are audited annually by KPMG, LLP, the Fund's independent auditors." It is also the Fund's position that "[d]ue to the Fund's unique structure, history, and legislation," the Fund "does not view the financial reporting by the Fund as typical of other pension plans under ASC 962-325-45-5 and ASC 962-205-45-7."

8. U.S. PUBLIC LAW 108-476

Public Law 108–476
108th Congress

An Act

To treat certain arrangements maintained by the YMCA Retirement Fund as church plans for the purposes of certain provisions of the Internal Revenue Code of 1986, and for other purposes.

Dec. 21, 2004
[H.R. 5365]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. CERTAIN ARRANGEMENTS MAINTAINED BY THE YMCA RETIREMENT FUND TREATED AS CHURCH PLANS.

(a) RETIREMENT PLANS.—

(1) IN GENERAL.—For purposes of sections 401(a) and 403(b) of the Internal Revenue Code of 1986, any retirement plan maintained by the YMCA Retirement Fund as of January 1, 2003, shall be treated as a church plan (within the meaning of section 414(e) of such Code) which is maintained by an organization described in section 414(e)(3)(A) of such Code.

(2) TAX-DEFERRED RETIREMENT PLAN.—In the case of a retirement plan described in paragraph (1) which allows contributions to be made under a salary reduction agreement—

(A) such treatment shall not apply for purposes of section 415(c)(7) of such Code, and

(B) any account maintained for a participant or beneficiary of such plan shall be treated for purposes of such Code as a retirement income account described in section 403(b)(9) of such Code, except that such account shall not, for purposes of section 403(b)(12) of such Code, be treated as a contract purchased by a church for purposes of section 403(b)(1)(D) of such Code.

(3) MONEY PURCHASE PENSION PLAN.—In the case of a retirement plan described in paragraph (1) which is subject to the requirements of section 401(a) of such Code—

(A) such plan (but not any reserves held by the YMCA Retirement Fund)—

(i) shall be treated for purposes of such Code as a defined contribution plan which is a money purchase pension plan, and

(ii) shall be treated as having made an election under section 410(d) of such Code for plan years beginning after December 31, 2005, except that notwithstanding the election—

(I) nothing in the Employee Retirement Income Security Act of 1974 or such Code shall prohibit the YMCA Retirement Fund from commingling for investment purposes the assets of the electing plan with the assets of such Fund

and with the assets of any employee benefit plan maintained by such Fund, and

(II) nothing in this section shall be construed as subjecting any assets described in subclause (I), other than the assets of the electing plan, to any provision of such Act,

(B) notwithstanding section 401(a)(11) or 417 of such Code or section 205 of such Act, such plan may offer a lump-sum distribution option to participants who have not attained age 55 without offering such participants an annuity option, and

(C) any account maintained for a participant or beneficiary of such plan shall, for purposes of section 401(a)(9) of such Code, be treated as a retirement income account described in section 403(b)(9) of such Code.

(4) SELF-FUNDED DEATH BENEFIT PLAN.—For purposes of section 7702(j) of such Code, a retirement plan described in paragraph (1) shall be treated as an arrangement described in section 7702(j)(2).

(b) YMCA RETIREMENT FUND.—For purposes of this section, the term "YMCA Retirement Fund" means the Young Men's Christian Association Retirement Fund, a corporation created by an Act of the State of New York which became law on April 30, 1921.

(c) EFFECTIVE DATE.—This section shall apply to plan years beginning after December 31, 2003.

Approved December 21, 2004.

9. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

Item	Description	Page No(s).
A	The Fund should consider calculating benefits using actuarially equivalent factors as defined in the plan documents for each of the retirement plans.	15
B	The Fund should consider defining the actuarial assumptions and methodology for converting a retired death benefit into an additional annuity. The Fund should also consider disclosing to members the financial implications of converting a retired death benefit.	17
C	The Fund should consider establishing written procedures and reviewing previously determined benefits to ensure annuity benefits to non-spouse beneficiaries are limited in accordance with Treasury Regulation §1.401(a)(9)-6.	17
D	The Fund should consider no longer using retirement plan assets and investment income from such assets to fund reserves for current annuitants.	27
E	The Fund should consider no longer granting interest credits at the Board's discretion for each of the retirement plans.	28
F	The Fund should consider establishing separate funds and accounting procedures to segregate assets, investment income, and expenses for each retirement plan and Fund assets (assets held for providing annuity and death and disability benefit payments).	28
G	The Fund should consider establishing separate reserves for current annuities/annuitants with benefit payments guaranteed by the Fund and any other promised benefits for current annuitants.	28
H	The Fund should consider establishing a written policy for funding any reserve deficits.	28
I	To address the foregoing (and other) recommendations raised in this report, the Fund should consider retaining appropriate tax counsel and engaging with the IRS regarding its view on the relevant issues.	28

Item	Description	Page No(s).
J	The Fund should consider determining reserves using reasonable actuarial assumptions and methods such as those applicable to reserves for annuity contracts issued by life insurers.	29
K	The Fund should consider using reasonable actuarial assumptions for pricing annuities from every portion of the member's account balance.	31
L	The Fund should consider revising the financial reporting for each of its retirement plans to disclose retirement plan asset holdings by type at year-end and plan investment income and appreciation/depreciation for the year to ensure compliance with GAAP under ASC 962.	33

Respectfully submitted,

/s/
Rory Cummings
Associate Insurance Examiner

STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

Rory Cummings, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Rory Cummings

Subscribed and sworn to before me

this_____ day of _____

Jason Fesmire performed an actuarial review of the June 30, 2019, Report of the Actuary for the Young Men's Christian Association Retirement Fund. The results of this review are provided in item 7 of this report.

The purpose of the actuarial review is to determine whether the Report of the Actuary uses actuarial methods and assumptions that are reasonable, consistent, follow generally recognized and accepted actuarial principles and practices which are consistent with Actuarial Standards of Practice, and regarding actuarial matters whether the plans are in compliance with applicable law, plan provisions, and policies.

In preparing this report, Mr. Fesmire relied on, without audit, information provided by the Young Men's Christian Association Retirement Fund and its actuarial consultant. This information included member data, financial information, plan provisions, policies, and actuarial and annual reports.

Jason Fesmire is a member of the American Academy of Actuaries, an Enrolled Actuary under ERISA, and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in item 7 of this report. This review was conducted in accordance with the applicable standards of practice prescribed by the Actuarial Standards Board.

Mr. Fesmire engaged the assistance of life actuaries within the New York State Department of Financial Services regarding actuarial matters associated with reserve assumptions and annuity pricing for insurers subject to New York State Insurance Law. The recommendations included in items 7F and 7G reflect their guidance.

This report was prepared under the direction of the New York State Department of Financial Services. The significant findings and recommendations are included herein.

STATE OF NEW YORK
COUNTY OF ALBANY

Jason Fesmire, being duly sworn, deposes and says that the foregoing report items, subscribed by him, are true to the best of his knowledge and belief.

_____
Jason Fesmire, EA, MAAA
Retirement Systems Actuary

STATE OF NEW YORK
COUNTY OF ALBANY

Sworn to before me this:____ day of _____ 20___

_____
Notary Public

APPOINTMENT NO. 32141

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **LINDA A. LACEWELL**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

RORY CUMMINGS

as a proper person to examine the affairs of the

YOUNG MEN'S CHRISTIAN ASSOCIATION RETIREMENT FUND

and to make a report to me in writing of the condition of said

RETIREMENT FUND

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name and affixed the official Seal of the Department at the City of New York

this 24th day of September, 2020

LINDA A. LACEWELL
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU